

Message Text

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ORIGIN EUR-12

INFO OCT-01 EA-10 NEA-11 ISO-00 EB-08 SS-15 SIG-03
SSO-00 INRE-00 NSCE-00 ICAE-00 AID-05 CEA-01
CIAE-00 COME-00 FRB-03 INR-10 IO-13 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 L-03 XMB-02 /108 R

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APPROVED BY EUR/SE:RCEWING
EB:MR.MEISSNER
E:JWILSON
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O R 112342Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY ANKARA IMMEDIATE
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY BERN
AMEMBASSY OTTAWA
AMEMBASSY ATHENS
AMCONSUL ISTANBUL
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMEMBASSY TOKYO

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USOECD

E.O. 11652: GDS

TAGS: EFIN, EAID, OECD, TU

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SUBJECT: SECOND COOPER-ESENBEL MEETING ON OECD CONSORTIUM

REF: (A) STATE 110268, (B) STATE 110526, (C) ANKARA 3621

1. TURKISH AMBASSADOR ESENBEL CALLED AT HIS REQUEST ON
UNDERSECRETARY COOPER MAY 10. DEPUTY ASSISTANT SECRETARY
(EB) MEISSNER, JOHN WILSON (E) AND EDWARD MARCOTT (EUR/SE)
WERE ALSO PRESENT.

2. ESENBEL SAID HE HAD NEW INSTRUCTIONS DEVELOPED AFTER

GOT WAS INFORMED OF RESULTS OF APRIL 28 INFORMAL MEETING OF OECD CONSORTIUM. GOT UNDERSTOOD THAT IT WAS DECIDED THAT THERE WOULD BE AN "AD HOC CONSORTIUM COMMITTEE" WITH A FRENCH CHAIRMAN. ESENBEL SAID GOT BELIEVES THIS IS JUST A PARIS CLUB WITH ANOTHER NAME, AND THAT WHAT IS NEEDED IS TO REVITALIZE THE CONSORTIUM AS IT WAS IN THE PAST. HE INDICATED THAT TURKISH PUBLIC OPINION WOULD EQUATE AN AD HOC GROUP WITH TYPICAL PARIS CLUB PROCEDURES. HE INDICATED IT WAS PARTICULARLY UNFORTUNATE THAT THE FRENCH WOULD CHAIR AN AD HOC GROUP, SINCE THEY HAD A SPECIAL ROLE BOTH IN THE PARIS CLUB AND IN EARLIER OTTOMAN ERA CREDITOR GROUPS. HE ALSO NOTED THIS AD HOC PROCEDURE WAS NOT DONE IN THE PREVIOUS DEBT RESCHEDULINGS FOR TURKEY. EVEN IF THE TURKEY CONSORTIUM NOT BE FULLY RE-

VITALIZED AS AN AID INSTITUTION, HE ASKED, WHY COULD NOT THE DEBT BE HANDLED WITHIN THE WHOLE CONSORTIUM UNDER FRG CHAIRMANSHIP, WITHOUT REFERENCE TO AD HOC OR SUB-GROUPS, WHICH ONLY COMPLICATE MATTERS. OTHER CONSORTIUM ACTIVITIES COULD BE DEBATED AT THE SAME TIME.

3. COOPER REFERRED TO HIS CONVERSATION WITH FINANCE MINISTER MUEZZINOGLU AT MEXICO CITY (REF B). COOPER SAID
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USG HAD AGREED TO AND URGED OTHER MORE RELUCTANT CREDITORS TO AGREE TO USING THE OECD CONSORTIUM FRAMEWORK FOR DEBT RESCHEDULING IN ORDER TO HELP GOT WITH PUBLIC SENSITIVITIES. THERE WAS A COMPROMISE BETWEEN THE DESIRE OF SOME FOR A STRAIGHT PARIS CLUB AND GOT'S PREFERENCE FOR A TRADITIONAL CONSORTIUM. HOWEVER, WE COULD NOT AGREE TO A RETURN TO THE CONSORTIUM ACTIVITIES AND PURPOSE OF THE SIXTIES. MANY THINGS HAVE CHANGED IN THE WORLD AND IN TURKEY. WE DO WANT TO USE THE CONSORTIUM LATER FOR CONSULTATIONS ON TURKISH DEVELOPMENT PROBLEMS. WE DESIRE TO USE ITS FAVORABLE IMAGE IN TURKISH PUBLIC OPINION TO HELP EASE THE GOT'S PROBLEM AS IT DEALS WITH THE FINANCIAL DIFFICULTIES.

4. REFERRING TO SPECIFIC POINTS PREVIOUSLY RAISED BY MUEZZINOGLU, COOPER SAID WE WERE FLEXIBLE ON THE NAME OF THE GROUP, AND THAT WE HAVE NO FIXED VIEW ON THE CHAIRMANSHIP QUESTION, BUT NOTED IT WAS OUR UNDERSTANDING THAT THE FRG, WHICH CHAIRS THE CONSORTIUM, DOES NOT WANT TO CHAIR THIS DEBT RESCHEDULING GROUP. MEISSNER SUGGESTED THAT GOT SHOULD ASK OTHERS IF THEY ARE WILLING TO CHAIR THE GROUP, IF IT OBJECTS TO THE FRENCH. IT IS NOT EASY TO SELECT A CHAIRMAN AS ONLY A FEW COUNTRIES HAVE EXPERIENCED PEOPLE (UK, NETHERLANDS, FRANCE). THE SWISS WERE WILLING IF NO OTHER DELEGATION WOULD TAKE ON THE TASK, BUT OTHER CREDITORS PREFERRED AN EXPERIENCED CHAIRMAN. HE NOTED THAT THE ISSUE OF A CHAIRMAN WAS PART OF A COMPROMISE TO GET OTHER CREDITORS TO AGREE TO THE AD HOC OECD CONSORTIUM GROUP.

WE DO NOT WISH TO CHAIR THE MEETING OURSELVES BUT OTHERWISE ARE FLEXIBLE ON THE SELECTION OF A CHAIRMAN. COOPER ALSO NOTED THAT WE PROBABLY COULD FIND OTHER LANGUAGE TO REPLACE THE EXPLICIT REFERENCE TO CREDITOR CLUB PROCEDURES IN THE MANDATE. HE NOTED THE APRIL 28 MANDATE WAS A DRAFT FOR APPROVAL AT THE MAY 17 MEETING, WHERE GOT VIEWS COULD BE AIRED.

5. COOPER NOTED FURTHER THAT THE PARIS CLUB IS THE CONFIDENTIAL

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ESTABLISHED DEBT-RESCHEDULING INSTITUTION ARISING FROM INTERNATIONAL MEETINGS AT WHICH TURKEY HAS BEEN A PARTICIPANT OR REPRESENTED. THUS GOT'S OPPOSITION HAD COME AS SOMEWHAT OF A SURPRISE. IF SPECIAL PROVISIONS ARE MADE FOR

TURKEY, OTHERS IN A SIMILAR SITUATION, INCLUDING THE G-77 MEMBERS, WILL BE RELUCTANT TO USE PARIS CLUB INSTITUTION. THE USG VIEW IS THAT WE COULD USE THE OECD TURKEY CONSORTIUM IN THIS CASE SINCE IT ALREADY EXISTS, AND AN AD HOC GROUP WITHIN THE CONSORTIUM FRAMEWORK EMPOWERED TO NEGOTIATE AND CONCLUDE A DEBT RESCHEDULING AGREEMENT COULD WORK RAPIDLY. HOWEVER, WE MUST BE ABLE TO POINT OUT TO OTHERS THAT ESTABLISHED CREDITOR CLUB PROCEDURES WERE USED.

6. AFTER ESENBEL INTERJECTED THAT TURKEY DID NOT EXPECT TO BE TREATED AS A G-77 COUNTRY, COOPER INDICATED THAT OUR VIEW IS THAT DEBT RESCHEDULING PROCEDURES OUGHT TO BE UNIFORM FOR ALL NATIONS, REGARDLESS OF STATE OF DEVELOPMENT. HE POINTED OUT THAT DEBT RESCHEDULING IS NOT POPULAR WITH CONGRESS OR WITH LENDING INSTITUTIONS SUCH AS EXIM. THUS IT IS NECESSARY TO HAVE A WELL-DEFINED SET OF PROCEDURES TO ALLEVIATE CONCERN THAT DEBT RESCHEDULING COULD BE USED AS A FORM OF UNAUTHORIZED AID. THE EXECUTIVE BRANCH CAN RETAIN THE NECESSARY DEGREE OF FLEXIBILITY TO DEAL WITH DEBT PROBLEMS ONLY BY STAYING WITHIN CERTAIN CONSTRAINTS ON PROCEDURES AND TERMS.

7. AFTER ESENBEL SAID GOT EXPECTS "CONCESSIONARY TERMS" ON DEBT RESCHEDULING, COOPER SAID HE COULD OFFER NO ENCOURAGEMENT. WE INTEND TO CONTINUE TO DISTINGUISH DEBT RESCHEDULING FROM OTHER FINANCIAL TRANSFERS AND TO FOLLOW ESTABLISHED PROCEDURES FOR DEALING WITH THE FORMER. IN THIS REGARD, IT IS NORMAL TO RESCHEDULE APPROXIMATELY ONE CONFIDENTIAL

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YEAR AT A TIME. DEPENDING ON THE DECISION ABOUT INCLUDING SHORT-TERM DEBT, OBLIGATIONS FALLING DUE WITHIN A GIVEN TIME PERIOD, USUALLY ONE YEAR, WOULD BE RESCHEDULED. AFTER THAT TIME PERIOD, OBLIGATIONS FALLING DUE IN SUBSEQUENT

PERIODS COULD BE RESCHEDULED. THIS PROCEDURE IS BASED ON THE ASSUMPTION THAT THE DEBT PROBLEM IS A TEMPORARY PROBLEM. EVEN IF IT IS NECESSARY TO DEAL WITH THE PROBLEM ANNUALLY FOR SEVERAL YEARS, THE RATIONALE REMAINS THAT OF EMERGENCY RELIEF AND NOT THAT OF GENERAL OR DEVELOPMENT ASSISTANCE. ESENBEL NOTED THAT THIS IS DIFFERENT FROM PAST PRACTICE (1959) AND GOT PREFERS A REPEAT OF THAT PROCEDURE.

8. ESENBEL URGED THE US DELEGATION BE MORE FLEXIBLE AT MAY 17 MEETING. COOPER SUGGESTED THAT THE COMPROMISE OF USING THE OECD FORMAT FOR DEBT RESCHEDULING SHOULD SIGNIFICANTLY HELP GOT WITH ITS PUBLIC RELATIONS PROBLEMS.

9. IN DEPARTING BUILDING, ESENBEL REPEATED UNHAPPINESS AT FRENCH CHAIRMANSHIP, BECAUSE OF OTTOMAN CONNECTION, AND IN-

QUIRED WHAT TERMS, (LENGTH OF GRACE AND REPAYMENT PERIODS AND INTEREST RATE ETC.), COULD BE EXPECTED IN RESCHEDULING EXERCISE. DEPT OFFICER SAID THAT TERMS WERE TO BE NEGOTIATED AT MEETING STARTING MAY 17, BUT REMINDED ESENBEL OF ISSUE OF COMPARABILITY WITH PRIVATE DEBT REFINANCING. HE ALSO SAID INTEREST RATE USUALLY SUBJECT TO BILATERAL NEGOTIATION. VANCE

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